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SUBJECT: NABUCCO IGA ENTERS AND EXITS SILENT APPROVAL PHASE

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¶1. (SBU) Summary. The Nabucco parties reached tentative agreement on the text of the Nabucco intergovernmental agreement in Vienna on June 21. At that point the Commission notified the parties that the process had entered the "silent approval" phase, meaning that if no one raised objections by Friday June 26, the text would be considered to be approved by all parties, setting the stage for an official signing ceremony. Turkey broke the silence on June 23, objecting that "arbitrary" deadlines were not helpful and that due to scheduling difficulties the process might take more than a few days. The Commission takes the Turkish response at face value and is still optimistic that Turkey will grant political approval for the text in its current form. Nonetheless, the Commission remains concerned that Turkey could backpedal and delay the process. End Summary.

¶2. (SBU) A Commission official told Econ Officer June 22 that on June 21, after six hours of discussions in Vienna, the Nabucco parties had reached tentative agreement on the compromise text, as proposed by the Commission, of the Intergovernmental agreement (IGA). At the close of this session, the Commission informed the parties that the process had entered the "silent approval" phase, meaning that if there were no formal objections raised by this Friday (June 26) that agreement by all parties would be assumed and the IGA would be on track for signing.

¶3. (SBU) The silence, however, did not last long, with the Turkish side responding on June 23 that: "The IGA text resulting from the meeting on June 22 will have to be submitted to the approval of our political masters. The process of approval may take longer than a few days, due to the intense schedule of our Prime Minister. We strongly believe that these kind (sic) of artificial deadlines will be counter-productive. Please rest assured that we will do our best to come up with an answer as soon as possible."

¶4. (SBU) Econ Officer spoke with the Commission official again on June 25 about the Turkish response. The Commission accepts the Turkish response at face value and does not see this as changing the state of play. They understand that there are indeed scheduling issues on the Turkish side. Turkish Energy Minister Taner Yildiz has told the Commission he needs to get political approval, which will require getting Prime Minister Erdogan, Foreign Minister Ahmet Davutoglu, and Turkey's EU accession negotiator Egemen Bagis all together in the same room. Yildiz further told the Commission that he sees no problems with the text, and sees no issues of substance that would prevent reaching political agreement on the text.

¶5. (SBU) The Commission is optimistic that the IGA can be signed in July. They, however, see two possible spoilers to this scenario: first that the Turks will get cold feet, and second that the Romanians (who were most vocal in the June 22 discussions) will want further negotiations. According to the Commission, Romania's concerns center around the nature of tax distributions under the agreement. Given that the taxes will only be applied to profits, which likely won't materialize until circa 2020, the Commission views this as arguing about "peanuts".

¶6. (SBU) On the question of entry points for Nabucco, the revised text refers to "the starting points of the Nabucco Project at any three points on the eastern or southern land borders of the Republic of Turkey as selected by Nabucco International Company," with no mention of specific countries (such as Iran). The full text of the agreement, as of June 22, has been e-mailed to EUR/ERA.

¶7. (SBU) Econ officer spoke separately with RWE on June 22 about the IGA negotiations. RWE is also cautiously optimistic that the agreement will be signed, but their principal concern remains that the Turkish side will back out at the last minute, or that Turkey will add additional demands that will further delay the process. If the agreement is not signed in July, RWE sees the negotiations dragging on into the Fall, at which point RWE feels they will have missed the window of opportunity for contracting Shah Deniz II gas from Azerbaijan. RWE once again urged the USG to use its powers of persuasion to encourage Turkey to sign on the dotted line.

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